DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTHCARE FINANCING ADMINISTRATION

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER: 12 - 16

2. STATE: Michigan

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTH FINANCING ADMINISTRATION
DEPARTMENT OF HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
September 30, 2012

5. TYPE OF PLAN MATERIAL *(Check One)*:

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT *(Separate Transmittal for each amendment)*

6. FEDERAL STATUTE/REGULATION CITATION:
42 CFR 447.201

7. FEDERAL BUDGET IMPACT:
a. FFY 13 $ -0-
b. FFY 14 $ -0-

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Attachment 4.19-A, Pages 24e - h

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:
Attachment 4.19-A, Page 24e

10. SUBJECT OF AMENDMENT:
Process change in the redistribution of DSH funds.

11. GOVERNOR'S REVIEW *(Check One)*:

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
☒ OTHER, AS SPECIFIED:
Stephen Fitton, Director
Medical Services Administration

12. SIGNATURE OF STATE AGENCY OFFICIAL:
Stephen Fitton

13. TYPED NAME:
Stephen Fitton

14. TITLE:
Director, Medical Services Administration

15. DATE SUBMITTED:
September 28, 2012

16. RETURN TO:

Medical Services Administration
Actuarial Division - Federal Liaison
Capitol Commons Center - 7th Floor
400 South Pine
Lansing, Michigan 48933

Attn: Loni Hackney

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18. DATE APPROVED:

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPE NAME:

22. TITLE:

23. REMARKS:

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4. ~~Redistribution of DSH Funds~~ DSH PROCESS

~~Should the State, upon retrospective review, audit, or receipt of subsequent information, determine that any hospital has been paid in excess of its hospital-specific DSH limit, the State will recoup all payments (State and Federal) that exceed any hospital's DSH limit and will redistribute the funds as follows:~~

- ~~The State psychiatric hospitals will be ranked based on available DSH capacity for the year of the recoupment. Beginning with the hospital with the highest DSH capacity each State psychiatric hospital will receive DSH redistribution payment in an amount equal to the facility's total DSH limit minus any DSH payment previously received for the same period.~~

- ~~Should all recouped DSH funds not be fully expended during redistribution to State psychiatric hospitals, the remaining DSH hospitals will receive a portion of the recouped funds based on the proportional share of the DSH capacity after recoupment. Only hospitals with room remaining under their hospital-specific limit are eligible to receive redistributed DSH funds.~~

- ~~The Federal portion of any payments recouped, but not redistributed based on the process above, will be returned to the Federal government through an adjustment in claiming.~~

THE STATE WILL IMPLEMENT A MULTIPLE-STEP DSH PROCESS AS FOLLOWS.

STEP 1: INITIAL DSH CALCULATION STEP

HOSPITAL-SPECIFIC DSH CEILINGS, DSH PAYMENT ALLOCATIONS AND MEDICAID UTILIZATION RATES WILL BE CALCULATED DURING THE STATE FY AS PART OF ITS INITIAL DSH CALCULATION. INPATIENT AND OUTPATIENT DATA FROM THE HOSPITAL'S COST REPORTING PERIOD ENDING DURING THE SECOND PREVIOUS STATE FY WILL BE USED FOR THE DSH CEILING, DSH PAYMENT AND MEDICAID UTILIZATION RATE CALCULATIONS. THE DATA WILL BE TRENDED TO THE CURRENT FY FOR DSH CEILING CALCULATION PURPOSES.

BEGINNING WITH STATE FY 2013, HOSPITALS WILL BE ABLE TO DECLINE DSH FUNDS AND ALSO REQUEST A DOWNWARD ADJUSTMENT TO THEIR DSH CEILING DURING THE INITIAL DSH CALCULATION. UPON RECEIPT OF THIS FEEDBACK FROM HOSPITALS, EACH HOSPITAL'S CALCULATED DSH CEILING WILL BE REDUCED TO THE REQUESTED AMOUNT. NO HOSPITAL WILL RECEIVE A DSH PAYMENT IN EXCESS OF ITS INITIAL DSH CEILING.

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DSH PAYMENTS WILL BE APPLIED AGAINST A HOSPITAL'S DSH CEILING IN THE FOLLOWING ORDER:

1. $45 MILLION POOL
2. OUTPATIENT UNCOMPENSATED CARE DSH POOL
3. UNIVERSITY WITH BOTH A COLLEGE OF ALLOPATHIC MEDICINE AND A COLLEGE OF OSTEOPATHIC MEDICINE POOL (UNIVERSITY POOL)
4. INDIGENT CARE AGREEMENTS POOL (ICA POOL)
5. GOVERNMENT PROVIDER DSH POOL (GP POOL)

STEP 2: INTERIM DSH SETTLEMENT STEP

DSH CEILINGS, DSH PAYMENTS AND MEDICAID UTILIZATION RATES ARE RECALCULATED USING NEW COST REPORT DATA DURING THE INTERIM DSH SETTLEMENT STEP. DSH FUNDS WILL BE REALLOCATED IN A MANNER THAT MAINTAINS THE POOL ORDER OUTLINED IN THE INITIAL DSH CALCULATION STEP.

THE STATE WILL RECALCULATE HOSPITAL-SPECIFIC DSH CEILINGS, DSH PAYMENT ALLOCATIONS AND MEDICAID UTILIZATION RATES DURING THE YEAR FOLLOWING THE APPLICABLE DSH YEAR. INPATIENT AND OUTPATIENT DATA FROM COST REPORTS WITH HOSPITAL FYS ENDING DURING THE PREVIOUS CALENDAR YEAR WILL BE UTILIZED FOR CEILING, PAYMENT, AND MEDICAID UTILIZATION RATE RECALCULATIONS. FOR EXAMPLE, DURING 2013, DATA FROM HOSPITAL COST REPORTS WITH FYS ENDING BETWEEN JANUARY 1, 2012 AND DECEMBER 30, 2012, WILL BE USED TO COMPLETE THE FY 2012 INTERIM DSH SETTLEMENT CALCULATIONS. THE STATE WILL MAINTAIN ITS CURRENT POOL-SPECIFIC PAYMENT ALLOCATION DURING THIS STEP.

BEGINNING WITH STATE FY 2012, HOSPITALS WILL BE ABLE TO DECLINE DSH FUNDS AND ALSO REQUEST A DOWNWARD ADJUSTMENT TO THEIR DSH CEILING DURING THE INTERIM DSH SETTLEMENT. UPON RECEIPT OF THIS FEEDBACK FROM HOSPITALS, EACH HOSPITAL'S CALCULATED DSH CEILING WILL BE REDUCED TO THE REQUESTED AMOUNT AND INTERIM DSH SETTLEMENT PAYMENTS WILL BE ISSUED.

FUNDS RECOVERED FROM THE $45 MILLION POOL AND OUTPATIENT UNCOMPENSATED CARE DSH POOL ARE REALLOCATED TO OTHER QUALIFYING HOSPITALS WITHIN THAT POOL BASED ON THE ORIGINAL FORMULA USED TO ALLOCATE FUNDING FROM THE POOL. FUNDS RECOVERED FROM THE ICA POOL WILL BE REALLOCATED TO OTHER QUALIFYING HOSPITALS WITHIN THAT POOL.

NO HOSPITAL WILL RECEIVE A DSH PAYMENT IN EXCESS OF ITS INTERIM DSH SETTLEMENT CEILING.

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STEP 3: FINAL DSH AUDIT-RELATED DSH REDISTRIBUTION

IF THE FINAL DSH AUDIT DETERMINES THAT A HOSPITAL HAS BEEN PAID IN EXCESS OF ITS HOSPITAL-SPECIFIC DSH CEILING, FUNDS WILL BE RECOVERED FROM HOSPITALS IN THE FOLLOWING ORDER:

1. FUNDS FROM POOLS ALLOCATED EXCLUSIVELY TO STATE GOVERNMENT-OWNED OR OPERATED, OR NON-STATE GOVERNMENT-OWNED OR OPERATED PUBLIC HOSPITALS
2. ALL OTHER DSH POOLS

THE STATE WILL RECOUP ALL PAYMENTS THAT EXCEED AUDITED HOSPITAL-SPECIFIC DSH CEILINGS IN THE ORDER STATED ABOVE AND THEN APPLY THE FOLLOWING REDISTRIBUTION PROCESS. ONLY FUNDS THAT EXCEED THE AUDITED HOSPITAL-SPECIFIC DSH CEILING WILL BE RECOVERED AND REDISTRIBUTED:

1. FUNDS RECOVERED FROM POOLS ALLOCATED EXCLUSIVELY TO STATE GOVERNMENT-OWNED OR -OPERATED, OR NON-STATE GOVERNMENT-OWNED OR -OPERATED PUBLIC HOSPITALS ARE REALLOCATED TO OTHER LIKE HOSPITALS UP TO THE LESSER OF THE AUDITED HOSPITAL-SPECIFIC CEILINGS OR OTHER FEDERAL LIMITS. NO HOSPITAL IS TO RECEIVE A DSH PAYMENT THAT EXCEEDS ITS AUDITED HOSPITAL-SPECIFIC DSH CEILING. UNSPENT DSH FUNDS WILL BE ADDED TO THE "ALL OTHER DSH POOLS" DESCRIBED IN STEP 2 BELOW. THE FORMULAS TO REDISTRIBUTE THESE RECOUPED FUNDS ARE AS FOLLOWS:

   A. (ELIGIBLE HOSPITAL'S REMAINING AUDITED DSH CEILING CAPACITY) / ($\sum$ OF ALL ELIGIBLE HOSPITALS' AUDITED REMAINING DSH CEILING CAPACITY) = (HOSPITAL POOL FACTOR)
   B. (HOSPITAL POOL FACTOR) X (POOL AMOUNT) = POOL PAYMENT

2. FUNDS RECOVERED FROM THE OTHER DSH POOLS, PLUS ANY UNSPENT DSH FUNDS RECOUPED FROM POOLS ALLOCATED EXCLUSIVELY TO STATE GOVERNMENT-OWNED OR -OPERATED, OR NON-STATE GOVERNMENT-OWNED OR -OPERATED PUBLIC HOSPITALS, ARE REALLOCATED TO ALL REMAINING ELIGIBLE HOSPITALS PROPORTIONATELY BASED ON THEIR SHARE OF REMAINING AUDITED HOSPITAL-SPECIFIC DSH CEILING CAPACITY ADJUSTED TO EXCLUDE THE DSH PAYMENT AMOUNTS HOSPITALS RECEIVED FROM THE ICA, UNIVERSITY AND GP DSH POOLS DURING THE INITIAL DSH CALCULATION AND INTERIM DSH SETTLEMENT STEPS. NO HOSPITAL WILL RECEIVE AN ALLOCATION IN EXCESS OF ITS REMAINING AUDITED HOSPITAL-SPECIFIC DSH CEILING CAPACITY. THE FORMULAS TO REDISTRIBUTE THESE RECOUPED FUNDS ARE AS FOLLOWS:

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A. (ELIGIBLE HOSPITAL'S REMAINING AUDITED DSH CEILING CAPACITY + ICA DSH PAYMENT AMOUNT + UNIVERSITY DSH PAYMENT AMOUNT + GP DSH PAYMENT AMOUNT) / (∑ OF ALL ELIGIBLE HOSPITALS' AUDITED REMAINING DSH CEILING CAPACITY + ICA DSH PAYMENT AMOUNT + UNIVERSITY DSH PAYMENT AMOUNT + GP DSH PAYMENT AMOUNT) = (HOSPITAL POOL FACTOR)

B. (HOSPITAL POOL FACTOR) X (POOL AMOUNT) = POOL PAYMENT

POOL PAYMENTS CALCULATED FOR INDIVIDUAL HOSPITALS THAT ARE IN EXCESS OF A HOSPITAL'S AUDITED DSH CEILING WILL BE PLACED BACK INTO THAT POOL. THESE PAYMENTS WILL THEN BE REALLOCATED TO THE REMAINING HOSPITALS IN THAT COMPONENT OF THE POOL WHICH HAVE NOT EXCEEDED THEIR AUDITED HOSPITAL-SPECIFIC DSH CEILING CAPACITY. THE REALLOCATION WILL BE BASED ON THE FUNDING FORMULA SPECIFIED ABOVE. ONLY HOSPITALS WITH AVAILABLE AUDITED DSH CEILING CAPACITY WILL BE INCLUDED.

IN ADDITION, ANY INCREASE IN THE STATE'S FEDERAL DSH ALLOTMENT THAT IS PROMULGATED IN THE FEDERAL REGISTER AFTER THE STATE'S FISCAL YEAR ENDS WILL BE DISTRIBUTED USING THE FORMULA OUTLINED IN STEP 3: FINAL DSH AUDIT-RELATED DSH REDISTRIBUTION.

STATE OF MICHIGAN
DEPARTMENT OF COMMUNITY HEALTH
LANSING

RICK SNYDER
GOVERNOR

OLGA DAZZO
DIRECTOR

June 11, 2012

NAME
TITLE
ADDRESS
CITY STATE ZIP

Dear Tribal Chair and Health Director:

RE: Disproportionate Share Hospital (DSH) Process Reform

The Michigan Department of Community Health (MDCH) is notifying you of its intent to submit a State Plan Amendment that will provide a means of reforming the DSH Process in response to DSH audit-related recoveries. The reform will expand MDCH's current DSH payment allocation policy to recalculate ceiling and payment amounts the year following the original calculation. The new process will also allow hospitals to provide input into the DSH calculations by providing an opportunity to review ceiling and payment amounts, decline DSH funds, and downward adjust their DSH ceiling. These changes will be effective on September 1, 2012, and will be made in a manner that is budget neutral to the State of Michigan.

You may submit comments regarding this Notice of Intent to msapolicy@michigan.gov. If you would like to discuss the Notice of Intent, please contact Mary Anne Tribble, Medicaid Liaison to the Michigan Tribes. Mary Anne can be reached at (517) 241-7185 or via e-mail at tribblema@michigan.gov.

There is no public hearing scheduled for this State plan amendment.

Sincerely,

Stephen Fitton

Stephen Fitton, Director
Medical Services Administration

cc: Leslie Campbell, Region V, CMS
Pamela Carson, Region V, CMS
Ashley Tuomi, MHPA, Executive Director, American Indian Health and Family Services of Southeastern Michigan
L. John Lufkins, Executive Director, Inter-Tribal Council of Michigan, Inc.
Jenny Jenkins, Acting Area Director, Indian Health Service - Bemidji Area Office
Mary Anne Tribble, MDCH

Distribution List for L 12-20
June 11, 2012

Mr. Kurt Perron, Tribal Chairman, Bay Mills Indian Community
Ms. Laurel Keenan, Health Director, Bay Mills (Ellen Marshall Memorial Center)
Mr. Derek J. Bailey, Tribal Chairman, Grand Traverse Band Ottawa & Chippewa Indians
Ms. Loi Chambers, Health Director, Grand Traverse Band Ottawa/Chippewa
Mr. Kenneth Meshigaud, Tribal Chairman, Hannahville Indian Community
Ms. G. Susie Meshigaud, Health Director, Hannahville Health Center
Mr. W. Chris Swartz, President, Keweenaw Bay Indian Community
Ms. Carole LaPointe, Health Director, Keweenaw Bay Indian Community - Donald Lapointe Health/Educ Facility
Mr. Alan Shively, Tribal Chairman, Lac Vieux Desert Band of Lake Superior Chippewa Indians
Ms. Terry Fox, Health Director, Lac Vieux Desert Band
Mr. Larry Romanelli, Ogema, Little River Band of Ottawa Indians
Mr. Bob Davis, Health Director, Little River Band of Ottawa Indians
Mr. Dexter McNamara, Tribal Chairman, Little Traverse Bay Band of Odawa Indians
Ms. Sharon Sierzputowski, Health Director, Little Traverse Bay Band of Odawa
Mr. DK Sprague, Tribal Chairman, Match-E-Be-Nash-She-Wish Potawatomi Indians (Gun Lake Band)
Ms. Phyllis Davis, Health Director, Match-E-Be-Nash-She-Wish Potawatomi
Mr. Homer Mandoka, Vice Tribal Chairman, Nottawaseppi Huron Band of Potawatomi Indians
Mr. Jon Gardner, Health Director, Huron Potawatomi Inc.- Tribal Health Department
Mr. Matt Wesaw, Tribal Chairman, Pokagon Band of Potawatomi Indians
Mr. Arthur Culpepper, Health Director, Pokagon Potawatomi Health Services
Mr. Dennis V. Kequom Sr, Tribal Chief, Saginaw Chippewa Indian Tribe
Ms. Gail George, Health Director, Nimkee Memorial Wellness Center
Mr. Lana Causley, Tribal Chairman, Sault Ste. Marie Tribe of Chippewa Indians
Ms. Bonnie Culfa, Health Director, Sault Ste. Marie Tribe of Chippewa Indians - Health Center

CC:

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